

Government of the District of Columbia
Department of Insurance, Securities and Banking



Lawrence H. Mirel
Commissioner

)
IN THE MATTER OF:)

ADMINISTRATIVE ORDER

)
COMPRESSUS INC.)

Order No. SB-03-02

CONSENT AGREEMENT AND SETTLEMENT ORDER

The Commissioner of the District of Columbia Department Of Insurance and Securities Regulation ("Department"), having the power to administer and provide for enforcement of the Securities Act of 2000, D.C. Official Code § 31-5601.01 et. seq., upon due consideration of the subject matter hereof, has determined as follows:

Statement of Facts

1. Compressus Inc. ("Respondent") is a start-up technology company based in the District of Columbia.
2. On June 10, 2003, Respondent made a filing with the Department's Securities Bureau concerning the issuance of stock options under an employee stock option plan ("the Plan") offered by the Respondent.
3. The filing submitted by the Respondent requested that the offering be exempted from registration under D.C. Official Code § 31-5604.01(10)(A). That exemption may be available in the District of Columbia where a security is offered in connection with a written compensatory benefit plan including a stock option or similar employee benefits plan.
4. In order to be eligible for the exemption found in § 31-5604.01(10)(A), issuers must provide notice to the Department at least 20 days prior to the offering date, pursuant to D.C. Mun. Reg. § 1943.5. The requirements found in D.C. Mun. Reg. § 1943 have been in effect since June 1, 2001.

5. On October 1, 2001, Respondent granted 90,750 shares of the stock options to a resident of the District; On October 15, 2002, Respondent granted 15,000 options to a consulting firm based in the District of Columbia with one member, who resided in the District; on January 1, 2003, Respondent granted 60,000 shares of its stock to another employee who was a resident of the District of Columbia.
6. The options described in paragraph (5) above were offered, and subsequently granted, to residents of the District of Columbia by Respondent as part of an offering that was neither registered with the Department of Insurance and Securities Regulation nor properly exempted from registration.
7. Respondent's June 10, 2003 filing acknowledged that the filing was being made less than 20 days prior to the applicable offering date.
8. In response to Respondent's June 10, 2003 filing, the Securities Bureau informed Respondent that with respect to the grants described in paragraph (5) above, it had thereby failed to comply with respect to the grants described in paragraph 5 pursuant to D.C. Official Code § 31-5604.01(10)(A) and the D.C. Mun. Reg. § 1943.1. The Securities Bureau also requested certain further information from Respondent.
9. By letter dated August 1, 2003, Respondent responded in full to the Securities Bureau's information request, providing a copy of the document related to the Compressus, Inc. stock offering and answering a series of questions asked by the Securities Bureau pertaining to the stock options.
10. In its letter of August 1, 2003, Respondent proffered that the delay in filing did not constitute a violation of D.C. Official Code § 31-5604.01(10)(A) and D.C. Mun. Reg. § 1943.1; in the alternative, Respondent requested that the Department's Securities Bureau exercise discretion with respect to any fine that the Department was considering, stating that its delayed filing was inadvertent and that it had been "corrected promptly upon counsel's determination that options under the Plan had been granted to District of Columbia residents and that the grant of such options made a filing under the DC Securities Act appropriate."
11. In view of the circumstances, the Securities Bureau determined that a fine in the amount of Two thousand-five hundred dollars (\$2,500) is appropriate.
12. Respondent is desirous of settling this matter and agrees to voluntarily waive all right to a hearing upon entry of this Order and, solely for the purposes of this proceeding and without admitting or denying the existence of a violation, Respondent has consented to the entry of this Order.

CONCLUSIONS OF LAW

1. Respondent failed to provide notification to the Department of Insurance and Securities Regulation in connection with its issuance of stock option plans that were offered in the District of Columbia at least 20 days prior to the first offering, and such failure is a violation of D.C. Mun. Reg. 1943.5.

ORDER

WHEREAS, the Department, based on information submitted by the Respondent is satisfied that the exceptions alleged, supra, were not willful and that the corrective action is now being taken;

WHEREAS, Respondent wishes to resolve alleged violations by entering into a Consent Agreement with the Department of Insurance and Securities Regulation, subject to the approval of the Commissioner, as follows:

- A. The Respondent waives its right to further notice and hearing in this matter.
- B. The Respondent shall pay administrative fine in the amount of Two thousand-five hundred dollars (\$2,500) made payable to the D.C. Treasurer.
- C. The Department of Insurance and Securities Regulation hereby accepts the administrative fine and agrees not to pursue other administrative remedies available under its administrative authority relating to matters alleged in this agreement.

ACCORDINGLY, IT IS HEREBY ORDERED:

1. That Respondent shall ensure that proper procedures are effected to preclude any future non-compliance with the Act.
2. That in lieu of revoking the exemption available to Respondent, the Commissioner will agree to accept an administrative penalty and will take no other enforcement action with respect to the offers made prior to notification.
3. Respondent shall pay an administrative penalty in the amount of two thousand five hundred dollars (\$2,500) made payable to the D.C. Treasurer.

4. The Commissioner finds this Order necessary and appropriate and in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

Agreed and Consented to:

Dated: District of Columbia

January 1, 2004

DEPARTMENT OF INSURANCE AND SECURITIES REGULATION

BY: Theodore A. Miles
Theodore A. Miles,
Director

RESPONDENT
Compressus Inc.

BY: [Signature]

SO ORDERED:

Dated this 3rd day of April, 2004.

APPROVED and so ORDERED:
In Witness Whereof, I have hereunto
set my hand and affixed the official seal. Of
this Department in the District of Columbia,
this 3 day of April, 2004.

Lawrence H. Mirel
Lawrence H. Mirel,
Commissioner